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**Report on Compliance and on Internal Control Over  
Financial Reporting Based on an Audit of Financial Statements  
Performed in Accordance With *Government Auditing Standards***

The Honorable Mayor, and Chairperson and  
Members of the Board of County Commissioners  
Miami-Dade County, Florida:

We have audited the basic financial statements of Miami-Dade County, Florida (the County) as of and for the year ended September 30, 2002, and have issued our report thereon dated February 28, 2003, which referred to our use of the reports of other auditors and the County's adoption of new accounting and reporting standards. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the County's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting, which we have reported to management of the County in a separate letter dated February 28, 2003.



This report is intended solely for the information and use of the Honorable Mayor, the Members of the Board of County Commissioners, management, federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

February 28, 2003



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**Independent Auditor's Report on Compliance and  
Internal Control Over Compliance Applicable to Each Major  
Federal Awards Program and State Project**

The Honorable Mayor, and Chairperson and  
Members of the Board of County Commissioners  
Miami-Dade County, Florida:

**Compliance**

We have audited the compliance of Miami-Dade County, Florida (the County) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement, and the requirements described in the *Executive Office of the Governor's State Projects Compliance Supplement*, that are applicable to each of its major federal awards programs and state projects for the year ended September 30, 2002. The County's major federal awards programs and state projects are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal awards programs and state projects is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

The basic financial statements include the operations of the Miami-Dade Water and Sewer Department, Public Health Trust of Miami-Dade County, the Miami-Dade County Aviation Department, and the Miami-Dade Housing Agency, which received \$21,563,074, \$20,910,270, \$33,108,464, and \$179,749,601, respectively, in federal awards and \$148,035, \$11,361,577, \$10,662,826, and \$10,355,716, respectively, in state financial assistance during the year ended September 30, 2002. Our audit described below did not include the federal and state awards of the Miami-Dade Water and Sewer Department and the Public Health Trust of Miami-Dade County which were audited under a separate contract with KPMG LLP. Additionally, the audit described below does not include the federal and state awards of the Miami-Dade County Aviation Department, and the Miami-Dade Housing Agency, which were audited by other auditors in accordance with OMB Circular A-133 and Chapter 10.550, *Rules of the Auditor General*.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and Chapter 10.550, *Rules of the Auditor General*. Those standards and OMB Circular A-133, and Chapter 10.550, *Rules of the Auditor General*, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance





with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program or state project occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the County's compliance with those requirements.

As described in item 02-01 in the accompanying schedule of findings and questioned costs, the County did not comply with the Allowable Costs / Costs Principles requirements applicable to its Community Services Block Grant. Compliance with such requirements is necessary, in our opinion, for the County to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs and state projects for the year ended September 30, 2002.

#### **Internal Control Over Compliance**

The management of the County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs and state projects. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could have a direct and material effect on a major federal program or state project in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133 and Chapter 10.550, *Rules of the Auditor General*.

We noted certain matters involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the County's ability to administer a major federal program or state project in accordance with the applicable requirements of laws, regulations, contracts, and grants. The reportable condition is described in the accompanying schedule of findings and questioned costs as item 02-01.

This report is intended solely for the information and use of the Honorable Mayor, the Members of the Board of County Commissioners, management, federal agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

**KPMG LLP**

February 28, 2003